FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Formosa Taffeta Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of allowance for uncollectible accounts

Description

Please refer to Note 4(10) for accounting policy on impairment of financial assets, Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable valuation, and Note 6(4) for details of allowance for uncollectible accounts. As of December 31, 2017, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$3,644,252 thousand and NT$76,521 thousand, respectively.

The Group assesses the collectibility of accounts receivable based on historical experience, known reason or existing objective evidence. For those accounts which are considered uncollectible, the Group recognizes impairment with a credit to accounts receivable. The Group examines the reasonableness periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, and given the significance of accounts receivable and allowance for uncollectible accounts to the financial statements, we consider the valuation of allowance for uncollectible accounts a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for uncollectible accounts includes:

A. Assessing the reasonableness of policies and procedures in determining the allowance for uncollectible accounts, including the reasonableness of classification of customer's credit quality and aging analysis;
B. Assessing whether the provision policy on allowance for uncollectible accounts has been consistently applied in the comparative periods of financial statements;

C. Assessing the adequacy of allowance for uncollectible accounts estimated by management; and

D. Testing collections after balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventory

Description

Please refer to Note 4(12) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation loss. As of December 31, 2017, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$8,972,787 thousand and NT$520,734 thousand, respectively.

The Group is primarily engaged in fiber dyeing and finishing, manufacturing and sales of curtains. As the textile manufacturing market is competitive, there is higher risk of incurring loss on inventory valuation. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is calculated based on the average price less estimated selling expenses. Since the calculation of net realizable value involves subjective judgement and uncertainty and the inventory is material to the financial statements, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's assessment of the allowance for inventory valuation loss includes:

A. Assessing the reasonableness of policies and procedures on allowance for inventory valuation loss, including the reasonableness of classification of inventory in determining the net realizable value;

B. Understanding the inventory management procedures, examining and participating in annual physical count and assessing the effectiveness of inventory management and inventory classification determined by management; and

C. Checking the method in calculating the net realizable value of inventory and assessing the reasonableness of allowance for valuation loss.

Other matter – audits of the other independent accountants

We did not audit the financial statements of a wholly-owned consolidated subsidiary and certain investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT$10,614,122 thousand and NT$10,782,491, constituting 11% and 12% of consolidated total assets as of December 31, 2017 and 2016, respectively, and operating income of NT$5,125,079 thousand and NT$4,876,098, constituting 13% and 12% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the accounts included in the financial statements relative to these subsidiary and investees, is based solely on the audit reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Taffeta Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chou, Chien-Hung Juanlu, Man-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,942,919	5	$ 5,653,854	6
1110	Financial assets at fair value through profit or loss - current	6(2)	630,396	1	627,621	1
1125	Available-for-sale financial assets - current	6(3)	3,649,141	4	2,345,355	3
1150	Notes receivable, net		164,311	-	191,094	-
1160	Notes receivable - related parties	7	13,007	-	11,643	-
1170	Accounts receivable, net	6(4)	3,567,731	4	3,563,224	4
1180	Accounts receivable - related parties	7	1,168,315	1	1,193,169	1
1200	Other receivables	7	449,044	-	454,087	-
130X	Inventory	6(5) and 8	8,452,053	9	7,856,427	9
1410	Prepayments		519,506	1	848,609	1
1470	Other current assets	6(9)	425,720	-	465,903	-
11XX	**Total current assets**		23,982,143	25	23,210,986	25
	Non-current assets					
1523	Available-for-sale financial assets - non-current	6(3) and 7	43,994,286	47	42,381,294	46
1543	Financial assets carried at cost - non-current	6(6) and 7	5,786,870	6	5,438,697	6
1550	Investments accounted for under equity method	6(7)	3,123,456	3	3,428,263	4
1600	Property, plant and equipment	6(8) and 8	17,022,278	18	16,644,213	18
1840	Deferred income tax assets	6(27)	140,445	-	262,802	-
1900	Other non-current assets	6(10)	653,557	1	663,841	1
15XX	**Total non-current assets**		70,720,892	75	68,819,110	75
1XXX	**Total assets**		$ 94,703,035	100	$ 92,030,096	100

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11) and 8	$ 2,805,690	3	$ 2,989,383	3
2110	Short-term notes and bills payable	6(12)	1,299,806	2	999,827	1
2120	Financial liabilities at fair value through profit or loss - current	6(13)	-	-	1,381	-
2150	Notes payable		199,518	-	196,870	-
2160	Notes payable - related parties	7	239,553	-	129,706	-
2170	Accounts payable		1,446,070	2	1,761,510	2
2180	Accounts payable - related parties	7	1,147,976	1	1,127,766	1
2200	Other payables	6(14) and 7	1,811,607	2	1,564,711	2
2230	Current income tax liabilities	6(27)	198,319	-	188,151	-
2300	Other current liabilities	6(15)	265,356	-	334,222	1
21XX	**Total current liabilities**		9,413,895	10	9,293,527	10
	Non-current liabilities					
2540	Long-term borrowings	6(15)	11,083,572	12	11,432,277	13
2570	Deferred income tax liabilities	6(27)	170,798	-	163,632	-
2600	Other non-current liabilities	6(16)	852,200	1	860,760	1
25XX	**Total non-current liabilities**		12,106,570	13	12,456,669	14
2XXX	**Total liabilities**		21,520,465	23	21,750,196	24
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Share capital - common stock		16,846,646	18	16,846,646	18
	Capital surplus	6(18)				
3200	Capital surplus		274,323	-	266,458	-
	Retained earnings	6(19)				
3310	Legal reserve		7,139,607	7	6,791,478	7
3320	Special reserve		2,214,578	2	1,708,542	2
3350	Unappropriated retained earnings		5,398,225	6	4,830,100	5
	Other equity interest	6(20)				
3400	Other equity interest		37,525,951	40	36,326,427	40
3500	**Treasury stocks**	6(17)	(19,935)	-	(21,501)	-
31XX	**Equity attributable to owners of the parent**		69,379,395	73	66,748,150	72
36XX	**Non-controlling interest**		3,803,175	4	3,531,750	4
3XXX	**Total equity**		73,182,570	77	70,279,900	76
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant event after the balance sheet	11				
3X2X	**Total liabilities and equity**		$ 94,703,035	100	$ 92,030,096	100

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(21) and 7	$ 40,705,664	100	$ 39,848,986	100
5000	**Operating costs**	6(5)(24)(25) and 7	(35,566,893)	(87)	(34,354,879)	(86)
5900	**Net operating margin**		5,138,771	13	5,494,107	14
	Operating expenses	6(24)(25) and 7				
6100	Selling expenses		(1,727,181)	(5)	(1,728,789)	(4)
6200	General and administrative expenses		(890,287)	(2)	(939,161)	(3)
6300	Research and development expenses		(59,813)	-	(53,925)	-
6000	**Total operating expenses**		(2,677,281)	(7)	(2,721,875)	(7)
6900	**Operating profit**		2,461,490	6	2,772,232	7
	Non-operating income and expenses					
7010	Other income	6(22) and 7	2,697,364	7	1,941,094	5
7020	Other gains and losses	6(6)(23)	108,885	-	(445,983)	(1)
7050	Finance costs	6(26)	(185,189)	-	(177,762)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	193,934	-	385,218	1
7000	**Total non-operating income and expenses**		2,814,994	7	1,702,567	4
7900	**Profit before income tax**		5,276,484	13	4,474,799	11
7950	Income tax expense	6(27)	(516,468)	(1)	(634,299)	(1)
8200	**Profit for the year**		$ 4,760,016	12	$ 3,840,500	10

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
			Year ended December 31			
	Other comprehensive income	6(20)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		($ 332,655)	(1)	$ 160,060	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(755,543)	(2)	(522,332)	(1)
8362	Unrealized gain on valuation of available-for-sale financial assets	6(3)	2,232,546	5	12,929,669	32
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(172,904)	-	(109,839)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		1,304,099	3	12,297,498	31
8300	**Total other comprehensive income for the year**		$ 971,444	2	$ 12,457,558	31
8500	**Total comprehensive income for the year**		$ 5,731,460	14	$ 16,298,058	41
	Profit attributable to:					
8610	Owners of the parent		$ 4,279,871	11	$ 3,481,285	9
8620	Non-controlling interest		480,145	1	359,215	1
			$ 4,760,016	12	$ 3,840,500	10
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 5,148,811	13	$ 15,824,162	40
8720	Non-controlling interest		582,649	1	473,896	1
			$ 5,731,460	14	$ 16,298,058	41

		Notes	2017 Before Tax	2017 After Tax	2016 Before Tax	2016 After Tax
	Basic and diluted earnings per share (in dollars)	6(28)				
9710	Profit for the year from continuing operations		$ 3.13	$ 2.83	$ 2.66	$ 2.28
	Non-controlling interest		(0.47)	(0.29)	(0.42	(0.21)
9750	Profit attributable to common shareholders of the parent		$ 2.66	$ 2.54	$ 2.24	$ 2.07
	Assuming shares held by subsidiaries are not deemed as treasury stock:					
	Profit for the year from continuing operations		$ 3.13	$ 2.83	$ 2.66	$ 2.28
	Non-controlling interest		(0.47)	(0.29)	(0.42)	(0.21)
	Profit attributable to common shareholders of the parent		$ 2.66	$ 2.54	$ 2.24	$ 2.07

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2016												
Balance at January 1, 2016		$ 16,846,646	$ 20,791	$ 6,508,610	$ 1,381,824	$ 3,819,939	$646,176	$ 23,497,434	($22,285)	$ 52,699,135	$ 3,369,595	$ 56,068,730
Appropriations of 2015 earnings:	6(19)											
Legal reserve		-	-	282,868	-	(282,868)	-	-	-	-	-	-
Special reserve		-	-	-	326,718	(326,718)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,021,598)	-	-	-	(2,021,598)	-	(2,021,598)
Profit for the year		-	-	-	-	3,481,285	-	-	-	3,481,285	359,215	3,840,500
Disposal of treasury stock	6(17)(18)	-	1,434	-	-	-	-	-	784	2,218	-	2,218
Changes in the net interest of associates recognised under the equity method	6(7)(18)	-	244,233	-	-	-	-	-	-	244,233	-	244,233
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	160,060	(632,789)	12,815,606	-	12,342,877	114,681	12,457,558
Cash dividends paid by consolidated subsidiaries	6(20)	-	-	-	-	-	-	-	-	-	(311,741)	(311,741)
Balance at December 31, 2016		$ 16,846,646	$266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ 36,313,040	($21,501)	$ 66,748,150	$ 3,531,750	$ 70,279,900
Year ended December 31, 2017												
Balance at January 1, 2017		$ 16,846,646	$266,458	$ 6,791,478	$ 1,708,542	$ 4,830,100	$ 13,387	$ 36,313,040	($21,501)	$ 66,748,150	$ 3,531,750	$ 70,279,900
Appropriations of 2016 earnings:	6(19)											
Legal reserve		-	-	348,129	-	(348,129)	-	-	-	-	-	-
Special reserve		-	-	-	506,036	(506,036)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,526,997)	-	-	-	(2,526,997)	-	(2,526,997)
Profit for the year		-	-	-	-	4,279,871	-	-	-	4,279,871	480,145	4,760,016
Disposal of treasury stock	6(17)(18)	-	2,891	-	-	-	-	-	1,566	4,457	-	4,457
Changes in the net interest of associates recognised under the equity method	6(18)	-	33	-	-	-	-	-	-	33	18	51
Adjustment of cash dividends paid to consolidated subsidiaries	6(18)	-	3,439	-	-	-	-	-	-	3,439	-	3,439
Expired cash dividends transferred to capital surplus	6(18)	-	1,502	-	-	-	-	-	-	1,502	-	1,502
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	(330,584)	(927,654)	2,127,178	-	868,940	102,504	971,444
Cash dividends paid by consolidated subsidiaries	6(20)	-	-	-	-	-	-	-	-	-	(311,242)	(311,242)
Balance at December 31, 2017		$ 16,846,646	$274,323	$ 7,139,607	$ 2,214,578	$ 5,398,225	($914,267)	$ 38,440,218	($19,935)	$ 69,379,395	$ 3,803,175	$ 73,182,570

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,276,484	$ 4,474,799
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense transferred to other income	6(4)	(2,223)	(3,152)
Depreciation	6(8)(24)	2,177,955	2,641,041
Interest expense	6(26)	185,189	177,762
Impairment loss	6(6)(23)	-	207,066
Interest income	6(22)	(26,315)	(25,583)
Dividend income	6(22)	(2,411,958)	(1,637,777)
(Gain) loss on disposal of available-for-sale financial assets	6(23)	(275,611)	7,294
Gain on valuation of financial assets	6(2)(23)	(2,774)	(2,160)
(Gain) loss on valuation of financial liabilities	6(13)(23)	(1,381)	563
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(193,934)	(385,218)
Cash dividends from investments accounted for under equity method		232,953	245,764
Gain on disposal and scrap of property, plant and equipment	6(23)	(38,696)	(23,058)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	30,371
Notes receivable, net		26,783	(119,066)
Notes receivable - related parties		(1,364)	(6,407)
Accounts receivable, net		(1,118)	206,662
Accounts receivable - related parties		24,854	84,163
Other receivables		97,196	961
Inventory		(595,626)	(28,707)
Prepayments		329,103	142,404
Other current assets		(23,442)	106,627
Changes in operating liabilities			
Notes payable		2,648	(3,258)
Notes payable - related parties		109,847	(10,676)
Accounts payable		(315,440)	159,481
Accounts payable - related parties		20,210	146,043
Other payables		218,519	(251,692)
Other current liabilities		(6,045)	(27,520)
Other non-current liabilities		(335,181)	(2,033,183)
Cash inflow generated from operations		4,470,633	4,073,544
Interest received		24,509	25,583
Cash dividends received		2,411,958	1,637,777
Interest paid		(199,036)	(194,123)
Income tax paid		(372,240)	(639,011)
Net cash flows from operating activities		6,335,824	4,903,770

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FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		($ 934,669)	($ 582,462)
Proceeds from disposal of available-for-sale financial assets		524,055	81,126
Acquisition of financial assets carried at cost		(785,138)	-
Proceeds from capital reduction of financial assets carried at cost		23,549	10,704
Acquisition of property, plant and equipment	6(29)	(2,845,591)	(2,378,135)
Proceeds from disposal of property, plant and equipment	7	90,034	49,228
Decrease in other non-current assets		10,284	268,189
Net cash flows used in investing activities		(3,917,476)	(2,551,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(183,693)	(518,573)
Increase (decrease) in short-term notes and bills payable		299,979	(699,698)
Payment of long-term borrowings		(11,314,825)	(4,829,207)
Increase in long-term borrowings		10,942,085	5,997,500
Cash dividends paid	6(19)	(2,526,997)	(2,021,598)
Cash dividends paid-non-controlling interest		(311,242)	(311,741)
Net cash flows used in financing activities		(3,094,693)	(2,383,317)
Effect of foreign exchange rate		(34,590)	44,154
Net (decrease) increase in cash and cash equivalents		(710,935)	13,257
Cash and cash equivalents at beginning of year	6(1)	5,653,854	5,640,597
Cash and cash equivalents at end of year	6(1)	$ 4,942,919	$ 5,653,854

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) Formosa Taffeta Co., Ltd. (the “Company”) was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company’s common stock was officially listed on the Taiwan Stock Exchange. The major operations of the Company’s various departments are as follows:

Business departments	Major activities
Primary department: Fabrics, dyeing and others	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum	Cord, plastic bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers
Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits

(2) Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders’ meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company’s parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

(3) As of December 31, 2017, the Company and its subsidiaries (collectively referred herein as the “Group”) had 10,141 employees.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging the goods or services to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets-current, available-for-sale financial assets-non-current and financial assets at cost in the amounts of $3,649,141, $43,994,286 and $5,786,870, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income-current and financial assets at fair value through other comprehensive income-non-current, in the amount of $ 3,649,141, and $49,846,528, respectively, and increasing retained earnings in the amount of $4,825,623, decreasing other equity interest and non-controlling interest in the amounts of $4,760,072 and $179, respectively.

B. Revenue recognition of customised products

Formosa Advanced Technologies Co., Ltd. provides assembly and testing services of various integrated circuits based on the specifications as required by the customers. The revenue is recognized when the significant risks and rewards are transferred under previous accounting policies, and the timing of recognition usually occurred upon acceptance. Considering that the highly customised products have no alternative use to Formosa Advanced Technologies Co., Ltd. and Formosa Advanced Technologies Co., Ltd. has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognized based on the percentage of completion under the new revenue standard. As a result, retained earnings and non-controlling interest will have to be increased by $65,924 and $34,118, respectively, inventory decreased by $392,220 and contract assets increased by $491,632 with the application of the new standard.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC

Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases whenthe Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed tothe owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

(d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized inprofit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2017	December 31, 2016	Description
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	65.68	65.68	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn products	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residences and buildings, and development of new community and specialised zones	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of nylon and polyamine goods	100.00	100.00	
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	43.00	Note 1
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
Formosa Taffeta Co., Ltd.	Formosa Taffeta Dong Nai Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Limited	Holding company	100.00	100.00	
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	
Formosa Development Co., Ltd.	Public More Internation Company Ltd.	Employment service, manpower allocation and agency service etc.	100.00	-	

Note 1: Even though the Company did not directly or indirectly own more than 50% voting rights of Schoeller F.T.C. (Hong Kong) Co., Ltd., the Company owns more than half of the seats in the Board of Directors of Schoeller F.T.C. (Hong Kong) Co., Ltd. and has substantive control over the company. Thus, Schoeller F.T.C. (Hong Kong) Co., Ltd. is included in the consolidated financial statements.

Except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., Formosa Taffeta Dong Nai Co., Ltd. and Schoeller F.T.C. (Hong Kong) Co., Ltd. whose financial statements were audited by other independent accountants, the financial statements of other subsidiaries were audited by the parent company's auditors.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2017 and 2016, the non-controlling interest amounted to $3,803,175 and $3,531,750, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest December 31, 2017 Amount	Ownership (%)	Non-controlling interest December 31, 2016 Amount	Ownership (%)
Formosa Advanced Technologies Co., Ltd.	Taiwan	$ 3,803,168	34.32	$ 3,524,894	34.32

Summarized financial information on the subsidiaries:

Balance sheets

	Formosa Advanced Technologies Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 8,283,373	$ 8,098,306
Non-current assets	3,891,808	3,259,061
Current liabilities	(1,010,778)	(1,009,496)
Non-current liabilities	(82,910)	(77,201)
Total net assets	$ 11,081,493	$ 10,270,670

Statements of comprehensive income

	Formosa Advanced Technologies Co., Ltd.	
	Years ended December 31,	
	2017	2016
Revenue	$ 7,888,494	$ 8,491,396
Profit before income tax	1,585,566	1,259,504
Income tax expense	(192,480)	(236,948)
Profit for the year	1,393,086	1,022,556
Other comprehensive income, net of tax	302,131	323,534
Total comprehensive income for the year	$ 1,695,217	$ 1,346,090
Comprehensive income attributable to non-controlling interest	$ 581,798	$ 461,978

Statements of cash flows

	Formosa Advanced Technologies Co., Ltd.	
	Years ended December 31,	
	2017	2016
Net cash provided by operating activities	$ 2,358,444	$ 2,642,071
Net cash used in investing activities	(1,949,538)	(1,323,691)
Net cash used in financing activities	(884,444)	(884,444)
(Decrease) increase in cash and cash equivalents	(475,538)	433,936
Cash and cash equivalents, beginning of year	3,954,890	3,520,954
Cash and cash equivalents, end of year	$ 3,479,352	$ 3,954,890

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;
(b) Liabilities arising mainly from trading activities;
(c) Liabilities that are to be settled within twelve months from the balance sheet date;
(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliablymeasured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Non-current assets held for sale (shown as 'other current assets')

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(14) Construction contracts

A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue is recognized by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract is recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 17 years

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less accumulated amortisation and the best estimate of the amount required to settle the present obligation at each balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) instead.

ii. Remeaurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carry forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

The Group manufactures and sells various fabrics and renders services as an oil distributor. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

A. Impairment valuation of accounts receivable

In evaluating impairment of accounts receivable, the Group determined future recoverability of accounts receivable based on subjective judgement and estimates, taking into consideration the customer's financial condition, internal credit rating, and historical transaction records. The Group evaluated individually the collectibility of accounts receivable and provided allowance if there was any concern on recoverability. The provision for allowance was reasonable based on conditions existing at the balance sheet date. The Group's accounts receivable amounted to $3,567,731 as at December 31, 2017.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories at balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2017, the carrying amount of inventories was $8,452,053.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash	$ 131,912	$ 104,010
Checking accounts and demand deposits	1,524,572	1,612,801
Time deposits	318,588	212,585
Commercial paper	2,967,847	3,724,458
	$ 4,942,919	$ 5,653,854

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The rate range of time deposit on December 31, 2017 and 2016 are 1.55%~7.40% and 0.20%~7.20%, respectively.

C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2017	December 31, 2016
Current items:		
Financial assets held for trading		
Beneficiary certificates	$ 619,504	$ 619,504
Forward foreign exchange contracts	398	66
	619,902	619,570
Valuation adjustment of financial assets held for trading	10,494	8,051
	$ 630,396	$ 627,621

A. The Group recognized net gain of $2,774 and $2,160 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017		December 31, 2016	
Derivative Instruments	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Current items:				
Forward foreign exchange contracts				
Taipei Fubon Bank	JPY 192,020	2017.11~2018.2	-	-
Chang Hwa Bank	-	-	USD 1,000	2016.12~2017.2

C. The forward exchange contracts are buy and sell to hedge the change of exchange rate due to import and export transactions, but not adopting hedge accounting.

(3) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Current items:		
Listed (TSE and OTC) stocks	$ 2,282,862	$ 1,348,435
Unlisted (TSE and OTC) stocks	100,000	100,000
Valuation adjustment of available-for-sale financial assets	1,266,279	896,920
	$ 3,649,141	$ 2,345,355

	December 31, 2017	December 31, 2016
Non-current items:		
Listed (TSE and OTC) stocks	$ 11,317,003	$ 11,565,204
Valuation adjustment of available -for-sale financial assets	37,437,306	35,576,113
	48,754,309	47,141,317
Accumulated impairment - available-for-sale financial assets	(4,760,023)	(4,760,023)
	$ 43,994,286	$ 42,381,294

A. The Group recognized $2,232,940 and $12,930,847 in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. On January 8, 2016, the Group participated in the capital increase of Nan Ya Technology Corporation for cash of $558,348.

C. The Group has no available-for-sale financial assets pledged to others as of December 31, 2017 and 2016.

(4) Accounts receivable, net

	December 31, 2017	December 31, 2016
Accounts receivable	$ 3,644,252	$ 3,656,576
Less: Allowance for bad debts	(76,521)	(93,352)
	$ 3,567,731	$ 3,563,224

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	December 31, 2016
Group 1	$ 3,023,454	$ 2,896,693
Group 2	289,231	304,924
Group 3	141,478	133,863
	$ 3,454,163	$ 3,335,480

Note:

Group 1: Transnational customers, brand customers or credit customers that have applied for collateralised mortgage.

Group 2: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with 2 or more years of transaction history with the Group.

Group 3: Non-transnational customers, non-brand customers or credit customers that have not applied for collateralised mortgage with less than 2 years of transaction history with the Group.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 30 days	$ 146,964	$ 210,341
31 to 90 days	32,878	67,013
91 to 180 days	3,172	25,483
Over 180 days	7,075	4,816
	$ 190,089	$ 307,653

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted to $0 and $13,443, respectively.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 13,443	$ 79,909	$ 93,352
Reversal of provision for impairment	-	(2,223)	(2,223)
Write-offs during the year	(13,443)	-	(13,443)
Effect of exchange rate	-	(1,165)	(1,165)
At December 31	$ -	$ 76,521	$ 76,521

	Year ended December 31, 2016		
	Individual provision	Group provision	Total
At January 1	$ 13,443	$ 85,730	$ 99,173
Reversal of provision for impairment	-	(3,152)	(3,152)
Effect of exchange rate	-	(2,669)	(2,669)
At December 31	$ 13,443	$ 79,909	$ 93,352

D. The Group does not hold any collateral as security for accounts receivable.

(5) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,595,346	($ 92,680)	$ 1,502,666
Supplies	230,935	(8,023)	222,912
Work in process	2,581,319	(6,731)	2,574,588
Finished goods	3,629,029	(413,191)	3,215,838
Merchandise inventory	286,276	-	286,276
Materials in transit	414,289	-	414,289
Outsourced processed materials	190,085	(109)	189,976
Construction in progress	23,284	-	23,284
Land for construction	22,224	-	22,224
	$ 8,972,787	($ 520,734)	$ 8,452,053

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,491,973	($ 79,463)	$ 1,412,510
Supplies	190,989	(3,659)	187,330
Work in process	2,275,693	(17,170)	2,258,523
Finished goods	3,443,150	(403,629)	3,039,521
Merchandise inventory	245,550	-	245,550
Materials in transit	488,993	-	488,993
Outsourced processed materials	175,759	-	175,759
Construction in progress	20,866	-	20,866
Land for construction	27,375	-	27,375
	$ 8,360,348	($ 503,921)	$ 7,856,427

Information about the inventories that were pledged to others as collateral is provided in Note 8.

The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2017	2016
Cost of goods sold	$ 35,574,881	$ 34,322,688
Inventory valuation loss	16,813	27,948
Others (Note)	(24,801)	4,243
	$ 35,566,893	$ 34,354,879

Note: Others consist of inventory overage/shortage and disposal of scrap and defective materials.

(6) Financial assets measured at cost - non-current

Items	December 31, 2017	December 31, 2016
Unlisted stocks	$ 5,786,870	$ 5,438,697

A. Based on the Group's intention, its investment in stocks should be classified as 'available-for-sale financial assets'. However, as stocks are not traded in active market, and no sufficient industry information of companies similar to the investees or no related financial information on the investees can be obtained, the fair value of the investment in stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'.

B. The Group has assessed the impairment of partial investment and recognized impairment loss of $0 and $207,066 (shown as 'other gains and losses') for the years ended December 31, 2017 and 2016, respectively, on the abovementioned financial instruments.

C. As of December 31, 2017 and 2016, no financial assets measured at cost held by the Group were pledged to others.

(7) Investments accounted for using equity method

	December 31, 2017	December 31, 2016
Formosa Industries Co., Ltd.	$ 1,938,483	$ 2,193,337
Quang Viet Enterprise Co., Ltd.	1,149,965	1,175,070
Changshu Yu Yuan Development Co., Ltd.	35,008	59,856
	$ 3,123,456	$ 3,428,263

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2017	December 31, 2016	Nature of relationship	Method of measurement
Formosa Industries Co., Ltd.	Vietnam	10.00%	10.00%	Associate	Equity method
Quang Viet Enterprise Co., Ltd.	Taiwan	17.92%	17.92%	Associate	Equity method
Changshu Yu Yuan Development Co., Ltd.	China	40.78%	40.78%	Associate	Equity method

B. The summarised financial information of the associates that are material to the Group is shown below:

Balance sheets

	Formosa Industries Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 9,291,100	$ 9,902,327
Non-current assets	20,614,037	22,770,600
Current liabilities	(5,965,869)	(2,446,476)
Non-current liabilities	(5,439,066)	(9,197,191)
Total net assets	$ 18,500,202	$ 21,029,260
Share in associate's net assets	$ 1,850,020	$ 2,102,926
Difference	88,463	90,411
Carrying amount of the associate	$ 1,938,483	$ 2,193,337

	Quang Viet Enterprise Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 5,987,697	$ 5,689,853
Non-current assets	2,705,609	2,408,046
Current liabilities	(2,064,121)	(1,333,668)
Non-current liabilities	(52,152)	(191,472)
Total net assets	$ 6,577,033	$ 6,572,759
Share in associate's net assets	$ 1,178,604	$ 1,177,838
Difference	(28,639)	(2,768)
Carrying amount of the associate	$ 1,149,965	$ 1,175,070

	Changshu Yu Yuan Development Co., Ltd.	
	December 31, 2017	December 31, 2016
Current assets	$ 157,599	$ 318,510
Non-current assets	280	649
Current liabilities	(54,986)	(172,380)
Total net assets	$ 102,893	$ 146,779
Share in associate's net assets	$ 41,960	$ 59,856
Difference	(6,952)	-
Carrying amount of the associate	$ 35,008	$ 59,856

Statements of comprehensive income

	Formosa Industries Co., Ltd.	
	Years ended December 31,	
	2017	2016
Revenue	$ 25,827,459	$ 24,353,298
Profit for the year from continuing operations (Total comprehensive income)	$ 806,833	$ 2,096,286

	Quang Viet Enterprise Co., Ltd.	
	Years ended December 31,	
	2017	2016
Revenue	$ 10,203,655	$ 9,038,818
Profit for the year from continuing operations	$ 546,996	$ 698,307
Other comprehensive loss, net of tax	(110,617)	(142,577)
Total comprehensive income	$ 436,379	$ 555,730

	Changshu Yu Yuan Development Co., Ltd.	
	Years ended December 31,	
	2017	2016
Revenue	$ 34,761	$ 743,903
Profit for the year from continuing operations (Total comprehensive income)	$ 11,436	$ 96,235

B. The investment income of $193,934 and $385,218 for the years ended December 31, 2017 and 2016, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

C. The Group is the director of Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. and has significant impact to its operations, thus, Formosa Industries Co., Ltd. and Quang Viet Enterprise Co., Ltd. are accounted for under the equity method.

D. Quang Viet Enterprise Co., Ltd. issued new shares but the Group did not acquire new shares proportionately in October, 2016. Accordingly, this resulted in a change in the Group's ownership percentage of the investee but did not lose significant influence. As a result of movement of net value of shares, capital surplus increased by $244,233.

E. The Group's material associate, Quang Viet Enterprise Co., Ltd., has quoted market prices since October, 2016. As of December 31, 2017 and 2016, the fair value was $2,426,693 and $2,677,731, respectively.

(8) Property, plant and equipment

At January 1, 2017	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
Cost	$ 2,545,968	$ 10,676,232	$ 41,715,725	$ 9,183,608	$ 1,475,773	$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Year ended December 31, 2017						
Opening net book amount	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
Additions	-	-	-	41	2,889,276	2,889,317
Disposals	-	(32)	(47,331)	(3,975)	-	(51,338)
Transfers (Note)	108	522,968	1,727,560	122,864	(2,309,875)	63,625
Depreciation charge	(290)	(377,912)	(1,595,280)	(204,473)	-	(2,177,955)
Net exchange differences	(44)	(109,581)	(142,221)	(14,578)	(79,160)	(345,584)
Closing net book amount	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278
At December 31, 2017						
Cost	$ 2,545,786	$ 11,047,542	$ 41,347,517	$ 9,003,970	$ 1,976,014	$ 65,920,829
Accumulated depreciation	(14,598)	(5,864,637)	(34,546,863)	(8,316,598)	-	(48,742,696)
Accumulated impairment	(155,738)	-	(117)	-	-	(155,855)
	$ 2,375,450	$ 5,182,905	$ 6,800,537	$ 687,372	$ 1,976,014	$ 17,022,278

Note: Transferred from non-current assets held for sale and discontinued operations and prepayment for equipment.

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2016						
Cost	$ 2,542,709	$ 10,474,572	$ 41,309,167	$ 9,317,556	$ 1,633,090	$ 65,277,094
Accumulated depreciation	(15,518)	(5,296,419)	(34,061,171)	(8,436,136)	-	(47,809,244)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	$ 2,371,453	$ 5,178,153	$ 7,247,725	$ 881,420	$ 1,633,090	$ 17,311,841
Year ended December 31, 2016						
Opening net book amount	$ 2,371,453	$ 5,178,153	$ 7,247,725	$ 881,420	$ 1,633,090	$ 17,311,841
Additions	-	-	-	83	2,380,051	2,380,134
Disposals	-	(438)	(23,196)	(2,536)	-	(26,170)
Transfers (Note)	4,758	449,304	1,835,761	154,551	(2,495,926)	(51,552)
Depreciation charge	(313)	(345,518)	(2,064,327)	(230,883)	-	(2,641,041)
Net exchange differences	(222)	(134,039)	(138,154)	(15,142)	(41,442)	(328,999)
Closing net book amount	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213
At December 31, 2016						
Cost	$ 2,545,968	$ 10,676,232	$ 41,715,725	$ 9,183,608	$ 1,475,773	$ 65,597,306
Accumulated depreciation	(14,554)	(5,528,770)	(34,857,645)	(8,396,115)	-	(48,797,084)
Accumulated impairment	(155,738)	-	(271)	-	-	(156,009)
	$ 2,375,676	$ 5,147,462	$ 6,857,809	$ 787,493	$ 1,475,773	$ 16,644,213

Note: Transferred to non-current assets held for sale and discontinued operations.

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2017	2016
Amount capitalised	$ 16,058	$ 16,777
Interest rate	0.98%~3.03%	1.02%~2.62%

B. The components and useful lives of property, plant and equipment are as follows:

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 20 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation equipment	2 ~ 17 years

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

D. Certain regulations restrict ownership of land to individuals. Accordingly, the titles of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2017 and 2016, the land mortgaged to the Company was $808,300.

(9) Non-current assets held for sale and discontinued operations (shown as 'Other current assets')

	December 31, 2016
Property, plant and equipment	$ 64,509

The assets related to machinery have been reclassified as disposal group held for sale following the approval of the Company during the year ended December 31, 2016 to sell its machinery. Part of the assets were sold, and the unsold assets were reclassified to property, plant and equipment.

(10) Long-term prepaid rent (shown as 'Other non-current assets')

	December 31, 2017	December 31, 2016
Land use right - Formosa Taffeta Co., Ltd.	$ 269	$ 439
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	30,278	32,080
Land use right - Formosa Taffeta Dong Nai Co., Ltd.	125,868	139,616
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	114,212	119,319
	$ 270,627	$ 291,454

A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to establish a petrol station and title transfer of land leasing right and is amortised over the land lease period under the contract. The Group recognized rental expense for the years ended December 31, 2017 and 2016 amounting to $171 thousand and $362 thousand, respectively.

B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People's Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK 12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041. The Group recognized rental expense for the years ended December 31, 2017 and 2016 amounting to RMB 266 thousand.

C. Formosa Taffeta Dong Nai Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square meters and 65,086 square meters in Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2013, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods both end on April 1, 2051. The Group recognized rental expense of VND 2,738,932 thousand and VND 1,710,462 thousand for the years ended December 31, 2017 and 2016, respectively.

D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square meters in the Economic Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB 12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. Otherwise, the Economic Development Zone refunded a part of money and reissued the land use right for resumption of 794 square meters of land in December, 2012. In March 2015, Formosa Taffeta (Changshu) Co., Ltd. divided some part of housing land and established a new company, Changshu Fushun Enterprise Management Co., Ltd. (details are provided in Note 6(11)E). As of December 31, 2017, the area of the Company's 2 leased parcels of land was 166,509 square meters, and the effective period of land use right ends in December 2056. The Group recognized rental expense for the years ended December 31, 2017 and 2016 amounting to RMB 640 thousand.

E. In order to effectively utilise Formosa Taffeta (Changshu) Co., Ltd.'s partial residential land, the Company has reduced capital and split land of 9,206 square meters in development zone to Changshu Fushun Enterprise Management Co., Ltd. The acquisition cost is RMB 6,400 thousand and the effective period starts from the approval of certificate of land use right and ends in December 2076. However, Changshu Fushun Enterprise Management Co., Ltd. merged with Changshu Yu Yuan Development Co., Ltd. and was deconsolidated in July 2015.

(11) Short-term borrowings

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 2,798,304	1.40%~4.79%	Property, plant and equipment and inventories
Purchase loans	7,386	0.32%~0.36%	–
	$ 2,805,690		

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 2,969,221	1.40%~2.33%	Property, plant and equipment and inventories
Credit borrowings	20,162	0.32%~1.95%	–
	$ 2,989,383		

(12) Short-term notes and bills payable

	December 31, 2017	December 31, 2016
Commercial paper payable	$ 1,300,000	$ 1,000,000
Less: Commercial paper payable discount	(194)	(173)
	$ 1,299,806	$ 999,827
Interest rate	0.56%	0.86%

The abovementioned commercial paper payable is issued by International Bills Finance Corp. etc.

(13) Financial liabilities at fair value through profit or loss - current

Items	December 31, 2016
Current items:	
Financial liabilities held for trading	
Forward foreign exchange contracts	$ 1,381

A. The Group recognized net gain (loss) of $1,381 and ($563) on financial liabilities held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

	December 31, 2016	
Derivative Financial Liabilities	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward foreign exchange contracts		
Chang Hwa Bank	USD 5,000	2016.11~2017.02

C. The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(14) Other payables

	December 31, 2017	December 31, 2016
Salaries and year-end bonus payable	$ 791,135	$ 816,104
Accrued utilities expenses	139,213	130,732
Commission payable	56,485	62,312
Dividends payable	9,092	9,948
Others	815,682	545,615
	$ 1,811,607	$ 1,564,711

(15) Long-term borrowings

	December 31, 2017	December 31, 2016
Credit borrowings	$ 11,222,071	$ 11,633,597
Less: Current portion (Shown as other currrent liabilities)	(138,499)	(201,320)
	$ 11,083,572	$ 11,432,277
Interest rate	1.00%~3.36%	0.99%~3.08%

(16) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned employees pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 2,953,789	$ 2,790,471
Fair value of plan assets	(2,138,501)	(1,963,103)
Net defined benefit liability	$ 815,288	$ 827,368

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 2,790,471	($ 1,963,103)	$ 827,368
Current service cost	32,194	-	32,194
Interest expense (income)	34,881	(25,244)	9,637
	2,857,546	(1,988,347)	869,199
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	10,910	10,910
Change in financial assumptions	6,809	-	6,809
Experience adjustments	315,358	-	315,358
	322,167	10,910	333,077
Pension fund contribution	-	(378,212)	(378,212)
Paid pension	(225,924)	217,148	(8,776)
Balance at December 31	$ 2,953,789	($ 2,138,501)	$ 815,288

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 3,105,115	($ 258,894)	$ 2,846,221
Current service cost	41,998	-	41,998
Interest expense (income)	44,987	(3,304)	41,683
	3,192,100	(262,198)	2,929,902
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	631	631
Change in financial assumptions	45,185	-	45,185
Experience adjustments	(191,117)	-	(191,117)
	(145,932)	631	(145,301)
Pension fund contribution	-	(1,957,166)	(1,957,166)
Paid pension	(255,697)	255,630	(67)
Balance at December 31	$ 2,790,471	($ 1,963,103)	$ 827,368

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2017	2016
Discount rate	1.25%	1.25%
Future salary increases	1.00%	1.00%

Assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2017 and 2016, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 43,023)	$ 44,829	$ 197,246	($ 170,847)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 45,185)	$ 47,128	$ 202,293	($ 174,322)

The sensitivity analysis above was based on one assumphion which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2018 amount to $99,943.

(g) As of Decebmer 31, 2017, the Company's and its domestic subsidiaries' weighted average duration of that retirement plan is 9 years and 21 years, respectively.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the

People's Republic of China (PRC) are based on a certain percentage of the employees' monthly salaries and wages. The contribution percentage was between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

(c) The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd., have defined contribution plans. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have defined contribution plans whereby contributions are made to the mandatory provident fund based on a percentage of the employees' salaries and wages as full-time employees' pension benefit.

(e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.

(f) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were $159,924 and $169,140, respectively.

(17) Share capital

A. As of December 31, 2017, the Company's authorized and issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stock, with a par value of $10 per share.

B. For the years ended December 31, 2017 and 2016, changes in the number of treasury stocks are as follows (in thousands of shares):

	Year ended December 31, 2017				
Reason for reacquisition	Investee company	Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,473	-	(180)	2,293

	Year ended December 31, 2016				
Reason for reacquisition	Investee company	Beginning shares	Additions	Disposal (Note)	Ending shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,563	-	(90)	2,473

Note: The capital surplus amounting to $2,891 and $1,434 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 180,000 and 90,000 shares of the parent company during the years ended December 31, 2017 and 2016, respectively.

C. The abovementioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2017				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 13,569	$ 545	$ 2,032	$ 250,312	$ -
Disposal of treasury shares	2,891	-	-	-	-
Adjustment of cash dividends paid to consolidated subsidiaries	3,439	-	-	-	-
Changes in the net interest of associates recognised under the equity method	-	-	-	33	-
Expired cash dividends transferred to capital surplus	-	-	-	-	1,502
At December 31	$ 19,899	$ 545	$ 2,032	$ 250,345	$ 1,502

	2016				
	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Donated assets received	Changes in net equity of associates and joint ventures accounted for under equity method	Other
At January 1	$ 12,135	$ 545	$ 2,032	$ 6,079	$ -
Disposal of treasury shares	1,434	-	-	-	-
Changes in the net interest of associates recognised under the equity method	-	-	-	244,233	-
At December 31	$ 13,569	$ 545	$ 2,032	$ 250,312	$ -

(19) Retained earnings

A. According to the R.O.C. Securities and Exchange Act No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders’ equity belongs to prior periods, the same amount from prior period earnings should be considered as special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognized under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

B. The Company’s dividend policy is summarised below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company’s distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company’s financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

D. The appropriations of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 23, 2017 and June 24, 2016, respectively. Details are summarised below:

	2016 earnings		2015 earnings	
	Amount (in thousands)	Dividends per share (in dollars)	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 348,129		$ 282,868	
Special reserve	506,036		326,718	
Cash dividends	2,526,997	$ 1.50	2,021,598	$ 1.20
	$ 3,381,162		$ 2,631,184	

E. As of December 31, 2017 and 2016, unpaid stock dividends amounted to $9,092 and $9,948, respectively.

F. The appropriations of 2017 earnings had been resolved by the Board of Directors on March 16, 2018. Details are summarized below:

	2017 earnings	
	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 427,987	
Cash dividends	3,200,863	$ 1.90
	$ 3,628,850	

G. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

	Available-for-sale investments	Currency translation	Non-controlling interest
January 1, 2017	$ 36,313,040	$ 13,387	$ 3,531,750
Change in unrealised gain or loss on available-for-sale financial assets			
－Group	2,126,784	-	-
－Associates	394	-	-
－Non-controlling interest	-	-	105,762
Difference of long-term equity investment from cumulative translation differences of foreign operations			
－Group	-	(754,356)	-
－Associates	-	(173,298)	-
－Non-controlling interest	-	-	(1,187)
Remeasurement of defined benefit plan			
－Non-controlling interest	-	-	(2,071)
Net income of non-controlling interest	-	-	480,145
Changes in the ownership of consolidated subsidiaries	-	-	18
Cash dividends paid by consolidated subsidiaries	-	-	(311,242)
December 31, 2017	$ 38,440,218	($ 914,267)	$ 3,803,175

	Available-for-sale investments	Currency translation	Non-controlling interest
January 1, 2016	$ 23,497,434	$ 646,176	$ 3,369,595
Change in unrealised gain or loss on available-for-sale financial assets			
— Group	12,596,040	-	-
— Associates	219,566	-	-
— Non-controlling interest	-	-	115,241
Difference of long-term equity investment from cumulative translation differences of foreign operations			
— Group	-	(437,363)	-
— Associates	-	(195,426)	-
— Non-controlling interest	-	-	(560)
Net income of non-controlling interest	-	-	359,215
Cash dividends paid by consolidated subsidiaries	-	-	(311,741)
December 31, 2016	$ 36,313,040	$ 13,387	$ 3,531,750

(21) Operating revenue

	Years ended December 31, 2017	2016
Sales revenue	$ 40,409,558	$ 39,531,730
Service revenue	296,106	317,256
	$ 40,705,664	$ 39,848,986

(22) Other income

	Years ended December 31, 2017	2016
Interest income from bank deposits	$ 26,315	$ 25,583
Dividend income	2,411,958	1,637,777
Other income	259,091	277,734
	$ 2,697,364	$ 1,941,094

(23) Other gains and losses

	Years ended December 31,	
	2017	2016
Forward foreign exchange contracts		
Net gain on financial assets at fair value through profit or loss	$ 2,774	$ 2,160
Net gain (loss) on financial liabilities at fair value through profit or loss	1,381	(563)
Net currency exchange loss	(138,690)	(140,134)
Gain on disposal of property, plant and equipment	38,696	23,058
Gain (loss) on disposal of investments	275,611	(7,294)
Bank charges	(33,578)	(34,231)
Impairment loss	-	(207,066)
Other losses	(37,309)	(81,913)
	$ 108,885	($ 445,983)

(24) Expenses by nature

	Years ended December 31,	
	2017	2016
Employee benefit expense	$ 4,931,294	$ 4,972,951
Depreciation charges on property, plant and equipment	2,177,955	2,641,041
	$ 7,109,249	$ 7,613,992

(25) Employee benefit expense

	Years ended December 31,	
	2017	2016
Wages and salaries	$ 4,146,223	$ 4,155,943
Labor and health insurance fees	412,750	399,236
Pension costs	201,756	252,821
Other personnel expenses	170,565	164,951
	$ 4,931,294	$ 4,972,951

A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit of the current year after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 0.05%-0.5% for employees' compensation and shall not be higher than 0.5% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $8,994 and $7,559, respectively; while directors' and supervisors' remuneration was accrued at $4,497 and $3,779, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the Company's Articles of Incorporation of profit of current year distributable for the year ended December 31, 2017. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $8,994 and $4,497, and the employees' compensation will be distributed in the form of cash.

The employees' bonus and directors' and supervisors' remuneration for 2016 approved by shareholders were the same as the amounts shown in the 2016 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both $7,559 in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Finance costs

	Years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	$ 201,247	$ 194,539
Less: Capitalisation of qualifying assets	(16,058)	(16,777)
Finance costs	$ 185,189	$ 177,762

(27) Income tax

A. Income tax expense

	Years ended December 31,	
	2017	2016
Current tax:		
Current tax on profits for the year	$ 120,679	$ 51,479
Tax on undistributed surplus earnings	78,984	44,861
Prior year income tax underestimation	27,972	66,282
Prepayment of taxes	157,947	239,477
Impact of change in tax rate	1,363	1,769
Total current tax	386,945	403,868
Deferred tax:		
Origination and reversal of temporary differences	129,523	230,431
Income tax expense	$ 516,468	$ 634,299

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2017	Years ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,144,144	$ 954,424
Effect from permanent differences of income tax	(634,447)	(341,132)
Effect from temporary differences of income tax	(123,831)	(414,507)
Effect from investment tax credits	(24,998)	(24,998)
Prior year income tax underestimate	27,972	66,282
Effect from alternative minimum tax	31	-
Net change in deferred tax assets and liabililies	129,523	230,431
Effect of income tax from loss carryforward	(80,910)	118,938
Tax on undistributed earnings	78,984	44,861
Tax expense	$ 516,468	$ 634,299

Note: The basis for computing the applicable tax rate is the rate applicable in the respective countries where the Group entities operate.

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C. Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits are as follows:

	Year ended December 31, 2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	$ 26,647	$ 2,718	$ -	$ -	$ 29,365
Allowance for bad debts in excess of tax deductible limit	2,084	44	-	-	2,128
Unrealised gains on disposal of equipment	17,507	204	-	-	17,711
Accrued pension liabilities	97,622	(58,419)	-	-	39,203
Unrealized foreign exchange loss	-	2,649	-	-	2,649
Loss on valuation of financial assets	4	(4)	-	-	-
-Loss carryforward	118,938	(69,549)	-	-	49,389
	262,802	(122,357)	-	-	140,445
Deferred tax liabilities:					
-Temporary differences					
Unrealized foreign exchange gain	(7,031)	7,031	-	-	-
Gain on valuation of financial assets	-	(641)	-	-	(641)
Investment income accounted for under equity method	(156,601)	(13,556)	-	-	(170,157)
	(163,632)	(7,166)	-	-	(170,798)
	$ 99,170	($ 129,523)	$ -	$ -	($ 30,353)

	Year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
-Temporary differences					
Provision for inventory obsolescence	$ 22,448	$ 4,199	$ -	$ -	$ 26,647
Allowance for bad debts in excess of tax deductible limit	2,663	(579)	-	-	2,084
Unrealised gains on disposal of equipment	-	17,507	-	-	17,507
Accrued pension liabilities	417,534	(319,912)	-	-	97,622
Unrealized foreign exchange loss	7,928	(7,928)	-	-	-
Loss on valuation of financial assets	-	4	-	-	4
-Loss carryforward	-	118,938	-	-	118,938
	450,573	(187,771)	-	-	262,802
Deferred tax liabilities:					
-Temporary differences					
Gain on valuation of financial assets	(583)	583	-	-	-
Unrealized foreign exchange gain	-	(7,031)	-	-	(7,031)
Investment income accounted for under equity method	(120,389)	(36,212)	-	-	(156,601)
	(120,972)	(42,660)	-	-	(163,632)
	$ 329,601	($ 230,431)	$ -	$ -	$ 99,170

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

Year ended December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2016	Filed	$ 290,525	$ -	2026

Year ended December 31, 2016					
Year incurred	Amount filed/ assessed	Unused amount		Unrecognized deferred tax assets	Expiry year
2016	Estimated	$	699,634	$ -	2026

E. The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2014, 2015 and 2015 have been assessed and approved by the Tax Authority, respectively.

F. Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. is based on 25% of income generated within and outside Mainland China.

G. The income tax rate of Formosa Taffeta Vietnam Co., Ltd. was approved by Vietnam government to be 10% for 15 years from the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit-making year and 20% income tax exemption for the next 4 years.

H. The income tax rate of Formosa Taffeta Dong Nai Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 20% after 12 years. The Company was granted income tax exemption for 3 years from the first profit-making year and income tax reduction of 15% or 20% for the next 4 to 10 years.

I. In accordance with local tax regulations, the applicable income tax rate of Schoeller F.T.C. (Hong Kong) Co., Ltd. and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

J. Unapproriated retained earnings of the Company on Dececmber 31, 2016 generated in and after 1998.

K. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed. As of December 31, 2016, the balance of the imputation tax credit account was $375,288. The creditable tax rate was 17.66% for the year ended December 31, 2016.

(28) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company's parent company divided by the weighted average number of outstanding common stocks for the period.

	Year ended December 31, 2017				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,682,339	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

	Year ended December 31, 2016				
	Amount		Weighted-average common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 4,474,799	$ 3,840,500	1,682,143	$ 2.66	$ 2.28
Profit attributable to the non-controlling interest	(706,814)	(359,215)		(0.42)	(0.21)
Profit attributable to the parent	$ 3,767,985	$ 3,481,285		$ 2.24	$ 2.07

The following is earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury stock:

	Year ended December 31, 2017				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 5,276,484	$ 4,760,016	1,684,665	$ 3.13	$ 2.83
Profit attributable to the non-controlling interest	(793,064)	(480,145)		(0.47)	(0.29)
Profit attributable to the parent	$ 4,483,420	$ 4,279,871		$ 2.66	$ 2.54

	Year ended December 31, 2016				
	Amount		Common shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$4,474,799	$3,840,500	1,684,665	$ 2.66	$ 2.28
Profit attributable to the non-controlling interest	(706,814)	(359,215)		(0.42)	(0.21)
Profit attributable to the parent	$3,767,985	$3,481,285		$ 2.24	$ 2.07

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and diluted earnings per share for the years ended December 31, 2017 and 2016.

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 2,889,317	$ 2,380,134
Add: Opening balance of payable on equipment	43,229	41,230
Less: Ending balance of payable on equipment	(86,955)	(43,229)
Cash paid during the year	$ 2,845,591	$ 2,378,135

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by FORMOSA CHEMICALS & FIBRE CORPORATION (incorporated in R.O.C), which owns 37.4% of the Company's shares, and is also the ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Formosa Chemicals & Fibre Corp.	Parent company
Kuang Yueh Co. Corp.	Associate
Formosa Industries Corp.	Associate
Formosa Biomedical Technology Corp.	Other related party
Toa Resin Corp.	Other related party
Formosa Petrochemical Corp.	Other related party
Formosa Heavy Industries Corp.	Other related party
Formosa Network Technology Corp.	Other related party
Formosa Plastics Corp.	Other related party
Formosa Plastics Transport Corp.	Other related party
Formosa Asahi Spandex Corp.	Other related party
Nan Ya Technology Corp.	Other related party

Names of related parties	Relationship with the Group
Nan Ya Plastics Corp.	Other related party
Nan Ya PCB Corp.	Other related party
Nan Ya Photonics Inc.	Other related party
Formosa Ha Tinh (Cayman), Ltd.	Other related party
FG INC	Other related party
Yumaowu Enterprise Co., Ltd.	Other related party
Great King Garment Co., Ltd.	Other related party
Bellmart Industrial Co., Ltd.	Other related party
Yugen Yueh Co.,Ltd.	Other related party
Chang Gung Biotechnology Co., Ltd.	Other related party
Nan Ya Polyester Fiber (Kunshan) Corp.	Other related party
Nanya Plastic (Guangzhou) Co.,Ltd.	Other related party
Nan Ya (Kunshan) Corp.	Other related party
Kwang Viet Garment Co., Ltd.	Other related party
Yu Yuang Textile Co., Ltd.	Other related party
Yu Maowu Complex Co., Ltd.	Other related party
Piecemakers Technology, Inc.	Other related party
Kong You Industrial Co., Ltd.	Other related party
Jiaxing Quang Viet Garment Co., Ltd.	Other related party

(3) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2017	2016
Sales of goods:		
－Ultimate parent	$ 17,705	$ 66,729
－Associates	372,424	611,314
－Other related party		
Nan Ya Technology Corp.	5,295,339	5,654,012
Others	838,163	490,111
	$ 6,523,631	$ 6,822,166

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

		Years ended December 31,		
		2017		2016
Purchases of goods:				
—Ultimate parent	$	2,021,526	$	2,091,907
—Associates		860,117		784,940
—Other related party				
Formosa Petrochemical Corp.		9,606,981		9,257,909
Others		1,756,387		1,536,066
	$	14,245,011	$	13,670,822

Goods and services are purchased from ultimate parent and other related parties on normal commercial terms and conditions.

C. Receivables from related parties

		December 31, 2017		December 31, 2016
Notes and accounts receivable:				
—Ultimate parent	$	75	$	25,746
—Associates		50,477		74,116
—Other related party				
Nan Ya Technology Corp.		953,005		992,417
Others		177,765		112,533
		1,181,322		1,204,812
Other receivable — dividends				
—Associates				
Formosa Industries Corp.		90,347		-
	$	1,271,669	$	1,204,812

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sale. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

		December 31, 2017		December 31, 2016
Notes and accounts payable:				
—Ultimate parent	$	573,447	$	568,316
—Associates		118,943		80,032
—Other related party				
Formosa Petrochemical Corp.		542,953		437,545
Others		152,186		171,579
	$	1,387,529	$	1,257,472

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Property transactions:

(a) Disposal of property, plant and equipment:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Other related party	$ 390	$ -	$ -	$ -

(b) Acquisition of financial assets:

	Accounts	No. of shares	Object	Year ended December 31, 2017 Consideration
Other related party	Non-current financial assets carried at cost	19,000,970	Formosa Ha Tinh (Cayman) Limited	$ 587,072
Other related party	Non-current financial assets carried at cost	600	FG INC	198,066
				$ 785,138

	Accounts	No. of shares	Object	Year ended December 31, 2016 Consideration
Other related party	Non-current available-for-sale financial assets	15,297,204	Nan Ya Technology Corporation	$ 558,348

F. Others

Formosa Taffeta Dong Nai Co., Ltd. was engaged by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the yearly service consignment contract signed by Formosa Taffeta Dong Nai Co., Ltd. and Nhon Trach 3 Industrial Zone, Formosa Taffeta Dong Nai Co., Ltd. is responsible for managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other utilities sold to lessees in investment district, repairing and performing services on various public facilities of power plant. Under the contract, Formosa Taffeta Dong Nai Co., Ltd. shall collect a service fee as follows:

i. Land lease fee: 3% of Formosa Industry's land rent revenue

ii. Utilities service fee: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district

iii. Management fee: the full amount of management fee collected from lessees in investment district to Formosa Industry shall be paid to the Company and its subsidiaries.

For the years ended December 31, 2017 and 2016, Formosa Taffeta Dong Nai Co., Ltd. has recognized lease service fee income in investment district of $30,947 and $30,507, respectively, for rendering the abovementioned consigned services. As of December 31, 2017 and 2016, the uncollected amount of $2,877 and $289, respectively, was recognized under 'other receivables'.

For the above land leasing, as of December 31, 2017 and 2016, the total management expenses and utility expenses which Formosa Taffeta Dong Nai Co., Ltd. is due to collect from the related party, Formosa Industry, were $23,285 and $321,590, respectively, and was recognized under 'other payables'.

(4) Key management compensation

	Years ended December 31,			
	2017		2016	
Salaries and other short-term employee benefits	$	40,055	$	38,600
Post-employment benefits		1,047		-
	$	41,102	$	38,600

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book Value				
Item	December 31, 2017		December 31, 2016		Purpose
Property, plant and equipment	$	138,662	$	139,362	Security for short-term borrowings
Inventories (Held-to-maturity land)		21,264		21,264	Security for short-term borrowings
	$	159,926	$	160,626	

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9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Formosa Advanced Technologies Co., Ltd. is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to be compensated if lost. As of December 31, 2017, the items in custody are as follows:

	December 31, 2017							
A.Work in process	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	6,370,477	NTD 0.02~1.05	-	-	-	-	-	-
FBGA	64,299,572	USD 4.95~11.2	-	-	-	-	-	-
TSOP	6,022,949	USD 0.27~0.72	-	-	-	-	-	-
LED assembly	3,031,711	NTD 0.46~14.21	-	-	-	-	439	NTD 32.65~679
Module	295,990	USD 0.27~16.867	-	-	120,513	USD 9.3~168.01	-	-
MICRO-SD	1,958	USD 3.028~16.867	-	-	-	-	-	-
Flip Chip	1,863	USD 10	-	-	-	-	-	-
Other	24,813	USD 3.082~13.527	1,331	USD 1,600	-	-	-	-
	80,049,333		1,331		120,513		439	

B. Finished goods	Quantity (Unit：PC)	Market value (per PC)	Quantity (Unit：piece)	Market value (per piece)	Quantity (Unit：bar)	Market value (per bar)	Quantity (Unit：stick)	Market value (stick)
LED	15,604,190	NTD 0.02~1.05	-	-	-	-	-	-
FBGA	50,167,440	USD 4.95~11.2	-	-	-	-	-	-
TSOP	5,530,933	USD 0.27~0.72	-	-	-	-	-	-
LED assembly	7,236,633	NTD 0.46~14.21	-	-	-	-	604	NTD 32.65~679
Module	-	-	-	-	19,520	USD 9.3~168.01	-	-
MICRO-SD	6,129	USD 3.028~16.867	-	-	-	-	-	-
Flip Chip	1,402	USD 10	-	-	-	-	-	-
Other	198	USD 3.082~13.527	449	USD 1,600	-	-	-	-
	78,546,925		449		19,520		604	

(2) As of December 31, 2017, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	$ 684
JPY	2,740,633
EUR	1,825

(3) Endorsements and guarantees

As of December 31, 2017, in order to assist the subsidiaries is obtaining credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of company	December 31, 2017
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 982,080
Formosa Taffeta Vietnam Co., Ltd.	1,488,000
Formosa Taffeta (Changshu) Co., Ltd.	1,636,800
Formosa Taffeta Dong Nai Co., Ltd.	4,523,520
Formosa Ha Tinh (Cayman) Limited	5,186,248
Public More Internation Company Ltd.	3,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

Please refer to Note 6(19) F for the distribution of 2017 earnings which was proposed by the Board of Directors on March 16, 2018.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio at 12%. The gearing ratios at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total borrowings	$ 15,327,567	$ 15,622,807
Less: Cash and cash equivalents	(4,942,919)	(5,653,854)
Net debt	10,384,648	9,968,953
Total equity	73,182,570	70,279,900
Total capital	83,567,218	80,248,853
Gearing ratio	12%	12%

(2) Financial instruments

A. Fair value information of financial instruments

Except those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value including cash and cash equivalents, notes receivable (related parties included), accounts receivable (related parties included), other receivables, short-term borrowings, short-terms bills payable, notes payable (related parties included), accounts payable (related parties included), other payables and long-term borrowings (current portion included) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a)The Group's management considers economic environment, competition and market value risk to achieve the best position of investment risk, maximize the investment of excess liquidity and control the overall market risk. The Group adopts the following strategies to control financial risk:

i. Foreign exchange risk: The Group engages in a number of foreign currency transactions. Therefore, the Group hedges risk naturally, and observes the exchange rates on a continuous and timely basis to mitigate foreign exchange risks.

ii. Interest rate risk: The expected domestic interest rate will not change drastically. However, the Group continues to observe the movement of interest rate to prevent incurring costs due to changes in interest rate.

iii. Cash flow risk: The Group sets up short and long-term funding schedule on a regular and timely basis to ensure that all the obligations are met.

iv. Credit risk: The Group has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk.

(b)The Board of Directors is responsible for supervising normal business operations, and authorizing management to perform daily operations under acceptable risk. The internal auditor shall review reports prepared by management on a timely basis to evaluate the effectiveness of management. If the internal auditor discovers any irregular circumstances, he or she should inform the Board of Directors immediately and perform necessary preventive measures.

C. Significant financial risks and degrees of financial risks

(a) Market risk

a. Foreign exchange risk

Some of the Group's transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

	December 31, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 105,965	29.85	$ 3,163,055
USD:RMB	5,856	6.53	174,802
JPY:NTD	443,701	0.26	115,362
Non-monetary items			
VND:NTD	4,545,840,640	0.0013	5,909,593
HKD:NTD	287,387	3.82	1,097,818
RMB:NTD	406,178	4.57	1,856,233
USD:NTD	190,780	29.85	5,694,783
Financial liabilities			
Monetary items			
USD:NTD	3,819	29.85	113,997
USD:RMB	21,882	6.53	653,178

	December 31, 2016		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 91,481	32.28	$ 2,953,007
JPY:NTD	573,485	0.28	160,576
USD:RMB	6,523	6.94	210,562
Non-monetary items			
VND:NTD	4,423,107,975	0.0014	6,192,351
HKD:NTD	251,226	4.16	1,045,100
RMB:NTD	543,796	4.65	2,528,651
USD:NTD	160,450	32.28	5,179,326

	December 31, 2016		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial liabilities			
Monetary items			
USD:NTD	5,713	32.28	184,416
USD:RMB	30,386	6.94	980,860

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016, amounted to $138,690 and $140,134, respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 31,631	$ -
USD:RMB	1%	1,748	-
JPY:NTD	1%	1,154	-
Non-monetary items			
VND:NTD	1%	-	59,096
HKD:NTD	1%	-	10,978
RMB:NTD	1%	-	18,562
USD:NTD	1%	-	56,948
Financial liabilities			
Monetary items			
USD:NTD	1%	1,140	-
USD:RMB	1%	6,532	-

	Year ended December 31, 2016		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 29,530	$ -
JPY:NTD	1%	1,606	-
USD:RMB	1%	2,106	-
Non-monetary items			
VND:NTD	1%	-	61,924
HKD:NTD	1%	-	10,451
RMB:NTD	1%	-	25,287
USD:NTD	1%	-	51,793
Financial liabilities			
Monetary items			
USD:NTD	1%	1,844	-
USD:RMB	1%	9,808	-

b. Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks and beneficiary certificates. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $5,232 and $5,209, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $476,434 and $447,266, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

c. Interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk. During the years ended December 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii. At December 31, 2017 and 2016, if interest rates on NTD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been $151,060 and $92,130 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

iii. At December 31, 2017 and 2016, if interest rates on USD-denominated borrowings had been 1% higher with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been $2,269 and $1,804 lower, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

a. The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Group's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating reqirement; thus, the possibility that credit risk will arise is remote.

b. The Group's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the possibility of credit risk is low, and the maximum loss arising from credit risk is equal to the book value of accounts receivable.

c. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

d. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

e. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

a. The Group's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Group's investments in equity financial instruments without active markets are exposed to liquidity risk.

b. Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.

c. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts of contracted cash flow disclosed below are without discount.

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 2,881,762	$ -	$ -
Short-term bills payable	1,300,000	-	-
Notes payable (including related parties)	439,071	-	-
Accounts payable (including related parties)	2,594,046	-	-
Other payables	1,811,607	-	-
Long-term borrowings (including current portion)	143,153	7,680,107	3,557,061
Financial guarantee contracts	13,819,648	-	-

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 3,054,750	$ -	$ -
Short-term bills payable	1,000,000	-	-
Notes payable (including related parties)	326,576	-	-
Accounts payable (including related parties)	2,889,276	-	-
Other payables	1,564,711	-	-
Long-term borrowings (including current portion)	207,521	11,332,483	228,798
Financial guarantee contracts	13,697,497	-	-

Derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Forward foreign exchange contracts	$ 1,381	$ -	$ -

(d) The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017 and 2016:

December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 398	$ -	$ 398
Beneficiary certificates	629,998	-	-	629,998
Available-for-sale financial assets				
Equity securities	47,023,027	620,400	-	47,643,427
	$ 47,653,025	$ 620,798	$ -	$ 48,273,823

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 66	$ -	$ 66
Beneficiary certificates	627,555	-	-	627,555
Available-for-sale financial assets				
Equity securities	44,229,549	497,100	-	44,726,649
	$ 44,857,104	$ 497,166	$ -	$ 45,354,270
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,381	$ -	$ 1,381

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques such as current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including applying a model using market information available at the consolidated balance sheet date.

(c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

In accordance with "Rules Governing the Preparation of Financial Statements by Securities Issuers", significant transactions for the year ended December 31, 2017 are stated as follows. Furthermore, the inter-company transactions were eliminated based on the financial statements of investees which were not reviewed by other independent accountants, except for the reviewed financial statements of Formosa Advanced Technologies Co., Ltd.. The following disclosures are for reference only.

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(13) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

A. The Group operates and sets policies from product and service perspective; thus, management also identifies reportable segments using the same method.

B. The Group has four reportable segments: First business group, Second business group consisting of Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD. (FATC) department. Details are as follows:

(a) First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries –FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD, etc.

(b) Cord fabric department: Mainly produces and provides tire cords.

(c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

(d) FATC department: The subsidiary – FORMOSA ADVANCED TECHNOLOGIES CO., LTD. mainly provides installation and testing of various integrated circuit and engages in processing and research and development of modules.

(2) Measurement of segment information

The measurement based on each operating segment's profit before tax excludes the effects of non-recurring expenditure, i.e. from the unrealised gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments.

(3) Information about segment profit or loss and assets

	Year ended December 31, 2017						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 12,508,739	$ 7,973,716	$ 10,671,800	$ 1,662,915	$ 7,888,494	$ -	$ 40,705,664
Inter-segment revenue	1,350,359	493,356	-	98,075	-	(1,941,790)	-
Total segment revenue	$ 13,859,098	$ 8,467,072	$ 10,671,800	$ 1,760,990	$ 7,888,494	($ 1,941,790)	$ 40,705,664
Segment income	$ 4,318,403	$ 212,362	$ 467,350	$ 13,262	$ 1,585,566	($ 1,320,459)	$ 5,276,484
Segment assets							
Identifiable assets	$ 13,842,555	$ 5,867,845	$ 1,353,550	$ 3,887,465	$ 5,433,275	$ 3,005	$ 30,387,695
Investments accounted for using equity methed							3,123,456
General assets							61,191,884
Total assets							$ 94,703,035

	Year ended December 31, 2016						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 12,186,782	$ 7,188,958	$ 10,296,989	$ 1,684,861	$ 8,491,396	$ -	$ 39,848,986
Inter-segment revenue	1,398,228	191,834	-	149,687	-	(1,739,749)	-
Total segment revenue	$ 13,585,010	$ 7,380,792	$ 10,296,989	$ 1,834,548	$ 8,491,396	($ 1,739,749)	$ 39,848,986
Segment income	$ 3,295,461	$ 382,772	$ 508,761	$ 122,097	$ 1,259,504	($ 1,093,796)	$ 4,474,799
Segment assets							
Identifiable assets	$ 13,488,276	$ 5,829,897	$ 1,363,801	$ 4,065,267	$ 5,097,056	($ 384,527)	$ 29,459,770
Investments accounted for using equity methed							3,428,263
General assets							59,142,063
Total assets							$ 92,030,096

(4) Reconciliation for segment income (loss)

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

B. The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

	Years ended December 31,	
	2017	2016
Sales revenue	$ 40,409,558	$ 39,531,730
Service revenue	296,106	317,256
	$ 40,705,664	$ 39,848,986

(6) Geographical information

	Year ended December 31, 2017			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 35,324,181	$ 5,381,483	$	$ 40,705,664
Revenue from parent company and consolidated subsidiaries	282,749	1,659,041	(1,941,790)	-
Total revenue	$ 35,606,930	$ 7,040,524	($ 1,941,790)	$ 40,705,664
Segment income (loss)	$ 6,051,574	$ 545,369	($ 1,320,459)	$ 5,276,484
Identifiable assets	$ 22,733,590	$ 7,651,100	$ 3,005	$ 30,387,695
Investments accounted for using equity method				3,123,456
General assets				61,191,884
				$ 94,703,035

	Year ended December 31, 2016			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 34,118,194	$ 5,730,792	$ -	$ 39,848,986
Revenue from parent company and consolidated subsidiaries	500,948	1,238,801	(1,739,749)	-
Total revenue	$ 34,619,142	$ 6,969,593	($ 1,739,749)	$ 39,848,986
Segment income (loss)	$ 5,075,511	$ 493,084	($ 1,093,796)	$ 4,474,799
Identifiable assets	$ 22,401,034	$ 7,443,263	($ 384,527)	$ 29,459,770
Investments accounted for using equity method				3,428,263
General assets				59,142,063
				$ 92,030,096

(7) Major customer information

Major customer whose sales revenue account for more than 10% total revenue of the Group for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Segment	Revenue	Segment
Nan Ya Technology Corp.	$ 5,295,339	FATC department	$ 5,654,012	FATC department

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3,8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3,8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	2	$ 45,096,606	$ 1,410,525	$ 982,080	$ 282,720	$ -	1.42	$ 90,193,213	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	2	45,096,606	1,567,250	1,488,000	98,141	-	2.14	90,193,213	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	3	45,096,606	2,037,425	1,636,800	329,353	-	2.36	90,193,213	Y	N	Y	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	2	45,096,606	4,599,520	4,523,520	2,472,112	-	6.52	90,193,213	Y	N	N	
0	FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	6	45,096,606	5,273,383	5,186,248	3,903,997	-	7.48	90,193,213	N	N	N	
1	FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	2	182,401	3,000	3,000	3,000	-	1.07	364,803	N	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:
(1)Having business relationship.
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee of the trade as required by the construction contract.
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company’s “Procedures for Provision of Endorsements and Guarantees”, and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company’s procedures of endorsements and guarantees, limit on the Company’s total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2017				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Available-for-sale financial assets - current	12,169,610	$ 1,253,470	0.21	$ 1,253,470	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO., LTD.	-	Available-for-sale financial assets - current	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	640	63	-	63	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	482,194	37,563	0.01	37,563	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	Other related party	Available-for-sale financial assets - current	10,000,000	620,400	2.35	620,400	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Available-for-sale financial assets - non-current	15,421,010	1,175,081	0.52	1,175,081	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Available-for-sale financial assets - non-current	365,267,576	42,188,405	3.83	42,188,405	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	174,441	3,236	0.45	3,236	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	Other related party	Financial assets measured at cost – non-current	14,400	3,000	10.00	3,000	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Financial assets measured at cost – non-current	644,230	3,099	1.20	3,099	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND IV LIMITED	-	Financial assets measured at cost – non-current	1,926,759	263	3.17	263	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Financial assets measured at cost – non-current	4,261,443	58,345	9.53	58,345	
FORMOSA TAFFETA CO., LTD.	FG INC	Other related party	Financial assets measured at cost – non-current	600	198,066	3.00	198,066	
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Other related party	Financial assets measured at cost – non-current	190,009,706	5,490,371	3.85	5,490,371	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Available-for-sale financial assets - non-current	2,293,228	71,778	0.14	71,778	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Financial assets measured at cost – non-current	-	137	0.11	137	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2017 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	146,388	$ 14,448	-	$ 14,448	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Available-for-sale financial assets - current	312,512	24,345	-	24,345	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Utimate parent company	Available-for-sale financial assets - current	15,249,000	1,570,647	0.26	1,570,647	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PETROCHEMICAL CORP.	Other related party	Available-for-sale financial assets - current	1,110,000	128,205	0.01	128,205	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Available-for-sale financial assets – non-current	8,278,215	630,800	0.28	630,800	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	Other related party	Financial assets measured at cost – non-current	2,130,721	29,172	4.77	29,172	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	59,945	1,181	0.15	1,181	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	25,512,583	375,736	-	375,736	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	254,262	-	254,262	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3)(Note 4)		Disposal (Note 3)				Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Available-for-sale financial assets - current	-	-	7,316,000	$ 704,531	7,936,000	$ 726,892	3,000	$ 274	$ 242	$ 32	15,249,000	$ 1,570,647
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Available-for-sale financial assets – non-current	-	-	15,041,215	726,491	-	-	6,763,000	523,781	248,202	275,579	8,278,215	630,800
FORMOSA TAFFETA (CAYMAN) LIMITED	FORMOSA HA TINH (CAYMAN) LIMITED	Financial assets measured at cost – non-current	-	-	171,008,736	5,316,710	19,000,970	587,072	-	-	-	-	190,009,706	5,490,371

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.
Note 4: Beginning balance plus addition amount is not equal to balance at December 31, 2017 because of valuation in exchange rate.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	($ 372,384)	(1.45)	Pay by mail transfer 60 days after delivery	$ -	-	Notes receivable $ 55 Accounts receivable 50,422	- 2.35	
FORMOSA TAFFETA CO., LTD.	YUGEN YUEH CO., LTD.	Other related party	Sales	(305,466)	(1.19)	Pay 120 days after delivery	-	-	Accounts receivable 73,603	3.44	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Subsidiary	Sales	(102,664)	(0.40)	60 days after monthly billings	-	-	Accounts receivable 31,814	1.48	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Other related party	Purchases	9,606,981	45.06	Pay every 15 days by mail transfer	-	-	Accounts payable (542,953)	(31.32)	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	1,745,553	8.19	Draw promissory notes due in 2 months after inspection	-	-	Notes payable (239,552) Accounts payable (297,761)	(13.82) (17.18)	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	790,453	3.71	Pay every 15 days by mail transfer	-	-	Accounts payable (73,260)	(4.23)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORP.	Other related party	Purchases	335,499	1.57	Pay every 15 days by mail transfer	-	-	Accounts payable (16,118)	(0.93)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	Sales	(5,295,339)	(67.13)	60 days after monthly billings	-	-	Accounts receivable 953,005	62.92	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PRINTED CIRCUIT BOARD CO., LTD.	Other related party	Purchases	134,787	5.06	45 days after inspection	-	-	Accounts payable (10,929)	(3.00)	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Associate	Sales	($ 365,021)	(23.15)	60 days after monthly billings	$ -	-	Accounts receivable 120,362	55.23	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(160,962)	(10.21)	60 days after monthly billings	-	-	Accounts receivable $ 23,359	10.72	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	218,104	13.30	60 days after monthly billings	-	-	Accounts payable (34,122)	(18.65)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Associate	Sales	(287,418)	(7.45)	60 days after monthly billings	-	-	Accounts receivable 42,321	5.37	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(626,300)	(16.23)	60 days after monthly billings	-	-	Accounts receivable 82,385	10.45	
FORMOSA TAFFETA DONG NAI CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Associate	Sales	(115,689)	(3.00)	60 days after monthly billings	-	-	Accounts receivable 20,869	2.65	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA INDUSTRY CO., LTD	Associate	Purchases	598,056	17.23	60 days after monthly billings	-	-	Accounts payable (69,232)	(18.17)	
FORMOSA TAFFETA DONG NAI CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	Ultimate parent company	Purchases	252,771	7.28	60 days after monthly billings	-	-	Accounts payable (36,134)	(9.48)	
FORMOSA TAFFETA DONG NAI CO., LTD.	NAN YA PLASTICS CORPORATION	Other related party	Purchases	172,678	4.98	60 days after monthly billings	-	-	Accounts payable (2,711)	(0.71)	

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4:The transactions are disclosed by presenting revenues. The related transactions are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching $100 million or 20% of paid-in capital or more

For the year ended December 31, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017 (Note 1)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	Other related party	$ 953,005	5.44	$ –	–	$ 465,954	$ –
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANG SHU) CO., LTD.	Associates	120,362	3.37	–	–	55,530	–

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Purchases	$ 1,745,553	Draw promissory notes due in 2 months after inspection	4.29
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Accounts payable	297,761	Draw promissory notes due in 2 months after inspection	0.31
0	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICALS & FIBRE CORPORATION	1	Notes payable	239,552	Draw promissory notes due in 2 months after inspection	0.25

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The amount of transactions under $500 million are not disclosed.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2017 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	FORMOSA DEVELOPMENT CO., LTD.	Taiwan	Handling urban land consolidation, development, rent and sale of industrial plants, residences and building	$ 114,912	$ 114,912	16,100,000	100.00	$ 206,279	$ 17,643	$ 11,313	
FORMOSA TAFFETA CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	3,773,440	3,773,440	290,464,472	65.68	7,347,846	1,393,086	914,979	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (HONG KONG) CO., LTD.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,092,248	89,049	89,049	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Vietnam	Production, processing, further processing various yam and cotton cloth, and dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,806,539	163,188	163,188	
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Taiwan	Processing and producion of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	213,771	18,595,352	17.92	1,149,965	546,996	112,417	

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017 (Note 2(2))	Investment income (loss) recognized by the company for the year ended December 31, 2017 （Note 2(3)）	Footnote
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Hong Kong	Trading of textiles	$ 2,958	$ 2,958	-	50.00	$ 4,217	$ 6,171	$ 2,653	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA DONG NAI CO., LTD.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,228,212	57,981	57,981	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	1,938,483	775,908	77,090	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	Cayman Islands	Investments	5,675,253	5,090,180	171,028,736	100.00	5,490,420	(137)	(137)	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	23,622	1,393,086	1,473	
FORMOSA DEVELOPMENT CO., LTD.	PUBLIC MORE INTERNATION COMPANY LTD.	Taiwan	Employment service, manpower allocation and agency service etc	5,000	-	-	100.00	6,586	1,586	1,586	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held as at December 31, 2017’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2)The ‘Net profit (loss) of the investee for the year ended December 31, 2017’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2017’ column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	Production and sale of polyester and polyamide fabrics	$ 1,402,085	(1)	$ 1,402,085	$ -	$ -	$ 1,402,085	$ 72,999	100.00	$ 72,999	$ 1,635,550	$ -	Note 3
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	(1)	15,273	-	-	15,273	(959)	100.00	(959)	6,206	-	Note 4
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,302,019	(2)	1,334,739	-	-	1,334,739	85,091	100.00	85,091	975,944	-	Note 5
CHANG SHU YU YUAN DEVELOPMENT. CO., LTD.	Building and selling real estate	70,788	(2)	-	-	-	-	11,436	40.78	4,427	35,008	-	Note 6

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The amount of 'Investment income (loss) recognised by the Company for the year ended December 31, 2017 were derived from financial statements which were reviewed by independent accountants.

Note 3: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 and December 31, 2017 are both US$46,400,000 (remitted out US$46,388,800 and equipment amounted to US$11,200).

Note 4: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 and December 31, 2017 are both US$570,000.

Note 5: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 is US$42,000,000. Formosa Taffeta (Changshu) Co., Ltd. reduced its capital amounting to US$900,000 and divided the housing land to establish a new company named Changshu Fushun Enterprise Management Co., Ltd. in March 2015. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2017 was US$41,100,000.

Note 6: The Company was the surviving company after the consolidation of Changshu Yu Yuan Development.Co.,Ltd. and Changshu Fushun Enterprise Management Co., Ltd. Its paid-in capital is RMB$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 1,402,085	$ 1,385,040	$ 43,909,542
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	17,015	43,909,542
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,253,700	43,909,542

Note：

(1)The investment in FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US$46,400,000.

(2)The investment in XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.

(3)The investment in FORMOSA TAFFETA (CHANG SHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000, while the company reduced its capital and divided some part of housing land to Changshu Fushun Enterprise Management Co.,Ltd. Such investment is still awaiting approval by MOEA.

(4)The original currency of paid-in capital was translated at USD:TWD = 1:29.85

FORMOSA TAFFETA CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017	Others
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 23,276	0.09	$ -	-	$ 2,616	0.12	$ 982,080	For short-tem loans from financial institutions	$ -	$ -	-	$ -	
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	30,966	0.12	29,526	-	5,015	0.23	1,636,800	For short-tem loans from financial institutions	-	-	-	-	